

## CHAPTER 13

### REGULATION OF CERTIFIED PUBLIC ACCOUNTANTS

S.F. 198

**AN ACT** relating to the regulation of certified public accountants and certified public accounting firms.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. Section 80A.2, Code 2015, is amended by adding the following new subsection:  
**NEW SUBSECTION. 10.** A certified public accountant authorized to practice pursuant to chapter 542, while performing duties as a certified public accountant.

Sec. 2. Section 542.3, subsection 26, Code 2015, is amended to read as follows:

26. “*Report*”, when used with reference to ~~financial statements~~ any attest or compilation services, means a report, opinion, or other form of a writing that states or implies assurance as to the reliability of ~~any~~ the attested information or compiled financial statements and that includes or is accompanied by a statement or implication that the person or firm issuing the report has special knowledge or competence in accounting or auditing. Such statement or implication of special knowledge or competence may arise from use by the issuer of the report of names or titles indicating that the person or firm is an accountant or auditor, or from the language of the report itself. “*Report*” includes any form of language which disclaims an opinion when such form of language is conventionally understood to imply a positive assurance as to the reliability of the attested information or compiled financial statements referred to or special knowledge or competence on the part of the person or firm issuing the language, and any other form of language that is conventionally understood to imply such assurance or such special knowledge or competence.

Sec. 3. Section 542.7, subsection 3, Code 2015, is amended by adding the following new paragraph:

**NEW PARAGRAPH. 0c.** (1) Notwithstanding chapter 496C or any other provision of law to the contrary, a certified public accounting firm organized as a professional corporation under chapter 496C may have nonlicensee owners provided that the firm complies with the requirements of this section.

(2) Notwithstanding chapter 489, article 11, or any other provision of law to the contrary, a certified public accounting firm organized as a professional limited liability company under chapter 489, article 11, may have nonlicensee members provided that the professional limited liability company complies with the requirements of this section.

Sec. 4. Section 542.7, subsection 3, paragraphs c and d, Code 2015, are amended to read as follows:

c. A licensee or person with a practice privilege under section 542.20 who is responsible for supervising attest or compilation services and signs or authorizes someone to sign the accountant’s report ~~on the financial statements~~ on behalf of the firm shall meet the experience or competency requirements set out in nationally recognized professional standards for such services.

d. A licensee or person with a practice privilege under section 542.20 who signs or authorizes someone to sign the accountant’s report ~~on the financial statements~~ on behalf of the firm shall meet the experience or competency requirements established in paragraph “c”.

Sec. 5. Section 542.7, subsection 6, paragraph a, Code 2015, is amended by striking the paragraph.

Sec. 6. Section 542.7, subsection 8, paragraph a, Code 2015, is amended to read as follows:

a. The board, by rule, shall require as a condition of renewal of a permit to practice as a certified public accounting firm, that an applicant undergo, no more frequently than once every three years, a peer review conducted in such manner as the board specifies. The review

shall include a verification that any individual in the firm who is responsible for supervising attest and compilation services and who signs or authorizes someone to sign the accountant's report ~~on a financial statement~~ on behalf of the firm meets the competency requirements set forth in the professional standards for such services.

Sec. 7. Section 542.7, subsection 9, paragraph a, Code 2015, is amended to read as follows:

a. The applicant does not engage in, and does not intend to engage in during the following year, financial reporting areas of practice, including but not limited to ~~financial~~ audits, compilations, and reviews. An applicant granted a waiver pursuant to this paragraph shall immediately notify the board if the applicant engages in such practice, and shall be subject to peer review.

Sec. 8. Section 542.13, subsections 8 and 11, Code 2015, are amended to read as follows:

8. A nonlicensee shall not use language in any statement relating to the ~~financial~~ affairs of a person or entity which is conventionally used by licensees in reports on financial statements or any attest service. The board shall develop and issue language which nonlicensees may use in connection with such financial information.

11. This section does not apply to a person or firm holding a certification, designation, degree, or license granted in a foreign country entitling the holder to engage in the practice of public accountancy or its equivalent in such country, whose activities in this state are limited to providing professional services to a person or firm who is a resident of, government of, or business entity of the country in which the person holds such entitlement, who does not perform attest or compilation services, and who does not issue reports with respect to the ~~financial statements~~ information of any other person, firm, or governmental unit in this state, and who does not use in this state any title or designation other than the one under which the person practices in such country, followed by a translation of such title or designation into the English language, if it is in a different language, and by the name of such country.

Sec. 9. Section 542.17, unnumbered paragraph 1, Code 2015, is amended to read as follows:

A licensee shall not voluntarily disclose information communicated to the licensee by a client relating to and in connection with services rendered to the client by the licensee, except with the permission of the client, or an heir, successor, or personal representative of the client. Such information is deemed to be confidential. However, this section shall not be construed as prohibiting the disclosure of information required to be disclosed by the standards of the public accounting profession in reporting on the examination of financial statements or in the performance of an attest service or as prohibiting disclosures in a court proceeding, in an investigation or proceeding under this chapter or chapter 272C, in an ethical investigation conducted by a private professional organization, in the course of a peer review, to another person active in the licensee's firm performing services for that client on a need-to-know basis, to persons associated with the investigative entity who need this information for the sole purpose of assuring quality control, or as otherwise required by law.

Approved March 31, 2015